

HCTC and Federal Tax Returns

The 2003 filing season is coming to a close, yet HCTC candidates may still require your assistance to successfully submit their claims for HCTC on their original or amended tax returns. This newsletter provides reminders, FAQs and updates regarding HCTC claims made on 2002 and 2003 tax returns.

Information on Tax Year 2003: Background

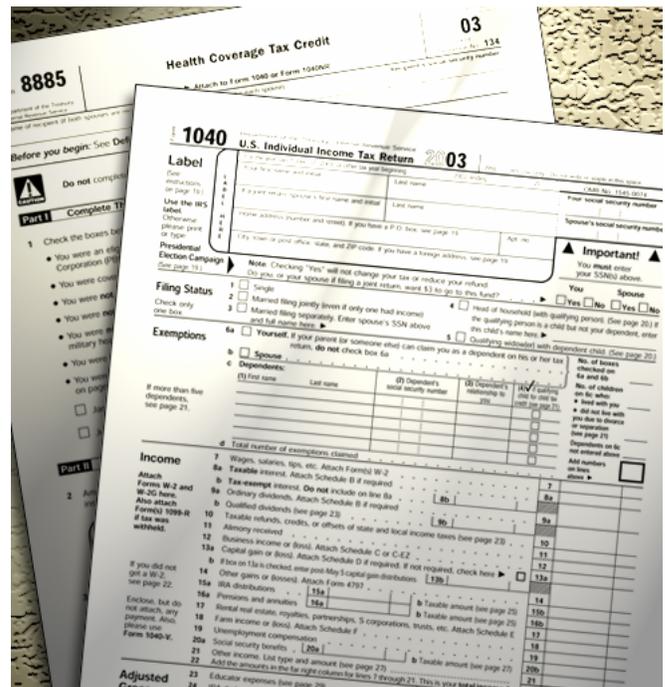
For tax season 2003, the HCTC program relied on state workforce agencies (SWA) and the Pension Benefit Guaranty Corporation (PBGC) to identify HCTC candidates (as defined in the Trade Act of 2002) and share candidate information with the HCTC program.

Information on Tax Year 2003: Support for HCTC Candidates

There are two possible scenarios where HCTC candidates in your state may need support:

Scenario #1: When HCTC candidates are completing Form 8885 for tax year 2003, they might contact their SWA or the PBGC to help determine the months for which they were HCTC-eligible. Please instruct them to call the HCTC Customer Contact Center first. If there are differences between candidates' records and the HCTC program's records, candidates will be instructed to call their SWA or PBGC.

Scenario #2: There may be individuals whose HCTC claims are denied by the IRS. This happens when the IRS does not have a record identifying the individual as an eligible TAA, alternative TAA, or PBGC recipient. The IRS will send a notice stating that the tax credit was not allowed and the reasons. It will direct individuals to contact the Department of Labor



(DOL) or the PBGC to obtain proof of TAA, ATAA, or PBGC eligibility if individuals believe the credit was not allowed in error.

Some individuals that claim the HCTC on their tax return may not be TAA, ATAA, or PBGC recipients. To reduce unnecessary calls to the SWAs, the DOL call center will first interview callers to verify that they are covered in a petition for a certified group of workers before referring them to their local SWA.

If any questions remain after DOL's interviews, these individuals will be instructed to call their SWA or the PBGC. Therefore, SWAs and the PBGC may receive some calls asking for proof of eligibility. SWA personnel should refer to the instructions sent from the DOL regional offices to handle these cases.



Information on Tax Year 2002: Background

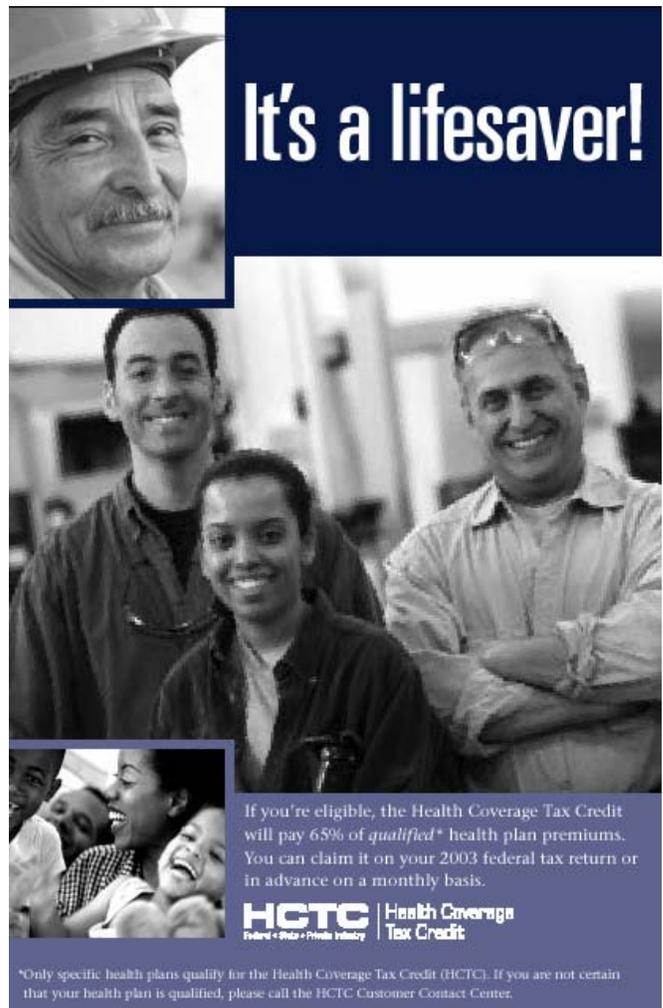
The Health Coverage Tax Credit (HCTC) program first became available during the 2002 tax year. At that time, state workforce agencies (SWA) and the Pension Benefit Guarantee Corporation (PBGC) issued an IRS Form 8887 to their HCTC candidates. The form notified individuals who received Trade Adjustment Assistance (TAA) or PBGC pension benefits in December 2002 that they were potentially eligible for the HCTC. IRS Form 8887 is no longer being issued; therefore SWAs and the PBGC will not be issuing any IRS forms to their HCTC candidates for filing 2003 (or subsequent years) tax returns.

Information on Tax Year 2002: Denied HCTC Claims

The IRS is issuing notices to taxpayers who claimed the HCTC for December 2002 on their 2002 tax return, but did not meet HCTC program requirements. These notices state that the taxpayers were erroneously granted the HCTC and must reimburse the IRS. Since each individual and each situation is unique, you should not answer questions about these notices. If you do receive calls, please refer individuals to the phone number found in the notice. If individuals still have questions after they speak to the IRS, they will be instructed to call their SWA or the PBGC if appropriate. SWAs and the PBGC can expect some calls requesting proof of eligibility for 2002.

HCTC Outreach in 2003

In January and early February, the HCTC program mailed a brochure and postcard to HCTC candidates, and also distributed program information to the tax practitioner community. These communications explained the benefits of the HCTC, eligibility requirements, and provided information about claiming the credit on one's federal tax return. If you receive questions concerning the HCTC program as a result of these mailers, please refer individuals to the HCTC Customer Contact Center at 1-866-628-HCTC.



It's a lifesaver!

If you're eligible, the Health Coverage Tax Credit will pay 65% of *qualified** health plan premiums. You can claim it on your 2003 federal tax return or in advance on a monthly basis.

HCTC | Health Coverage
Federal • State • Private Industry Tax Credit

*Only specific health plans qualify for the Health Coverage Tax Credit (HCTC). If you are not certain that your health plan is qualified, please call the HCTC Customer Contact Center.





Frequently Asked Questions for Claiming the HCTC

Question: What is Form 8885?

Answer: Form 8885, Health Coverage Tax Credit, is an IRS form that HCTC candidates must complete and submit with their federal tax return in order to claim the HCTC.

Question: Where can one obtain Form 8885?

Answer: Candidates can find the form on the IRS website: <http://www.irs.gov/pub/irs-pdf/f8885.pdf> or by calling the IRS at 1-800-TAX-FORM (1-800-829-3676).

Question: Should SWAs transmit corrections to 2003 HCTC eligibility data after December 31, 2003?

Answer: Yes, states should transmit 2003 eligibility correction data after December 31, 2003. The life of a TAA claim is three (3) years. Therefore, if there is a change in eligibility status of an HCTC participant or candidate within this timeframe, the HCTC program should be notified.

Question: An individual in my state received a notice from the IRS stating that he/she was given a 2002 tax refund in error. What should I do?

Answer: Since each individual's situation is unique, we recommend that you refer the person to the phone number listed on the notice they received. If the individual believes that they were eligible for the credit, IRS may refer that individual to the SWA or PGBC. If you determine that the individual is eligible, you may need to prepare a letter that verifies the individual's eligibility.

Question: Will the IRS send HCTC candidates a letter listing the months that they were potentially eligible?

Answer: No. Candidates can call the HCTC Customer Contact Center at 1-866-628-HCTC to obtain this information.

Question: Is there a Form 8887 for 2003?

Answer: No, there is no Form 8887 for tax year 2003 (or subsequent years).

Question: Does an HCTC candidate need a Form 1099-H in order to claim the HCTC on their federal tax return?

Answer: No, an HCTC candidate does not need Form 1099-H to claim the HCTC on their federal tax return. However, advance tax credit recipients will receive a Form 1099-H which may be used to help complete Form 8885.

Question: What 2003 IRS publications provide information about HCTC?

Answer: The following publications may be helpful:

1. IRS Form 8885 (Instructions)
2. IRS Publication 502, "Medical and Dental Expenses"
3. Publication 17, "Your Federal Income Tax for Individuals"

These publications provide information about the HCTC. You may obtain these publications through the IRS website at www.irs.gov or by calling 1-800-TAX-FORM.

